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MINNESOTA DEPARTMENT OF ECONOMIC SECURITY

RESEARCH AND STATISTICAL SERVICES OFFICE

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Manuscripts of articles are welcomed and should be submitted to the Editor. Articles on labor market conditions and the economic welfare of Minnesota workers are preferred, but subjects which can be shown to be closely related to general economic conditions within the State will also be considered. Articles should be submitted complete with tables and graphs. Length generally should not exceed the equivalent of ten single-spaced typewritten pages, including graphs, references, and notes.

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Editorial Comment

PARITY AMIDST PLENTY

By R. Pinola

The depressed condition of American agriculture is a contradiction. On the one side, we have mushrooming surpluses generated by a price-support system that makes prices of agricultural commodities insensitive to the basic forces of demand and supply. On the other side, we continue to see farmers' net returns shrinking despite a price policy that is geared to improve the terms of trade between the farm and nonfarm sector. It isn't as if the decline in export demand has left the farmer unable to sell his price-supported commodities. In actuality the deficiency payments by the Federal government that are based on the difference between targeted prices and market prices provide an outlet for price-supported farm commodities.

Price supports for selected farm commodities became the cornerstone of American agricultural policy under the Agricultural Adjustment Act of 1933. This legislation was a culmination of a decade of discussion and debate as to whether and how income parity between the farm and nonfarm sector should be promoted. The justification for government support was based on data which showed farm income per person lagging that of the nonfarm sector and the disparity becoming greater. The often cited cause of this situation was that agricultural demand and supply conditions more closely resembled those under perfect competition, whereas those in the industrial sector more nearly approached monopoly and oligopoly. The upshot of this difference was that farmers were price takers who faced wide swings in commodity prices (usually depressed) while industrial producers were price makers who could maintain their prices in the face of declines in demand by simply cutting output. As one author put it, the free market operated with a "vengeance" and a "...gloriously unfettered play of supply and demand..." to put farmers at a disadvantage in their terms of trade with the industrial sector.

To promote income parity for the farm sector, the Agricultural Adjustment Act of 1933 provided a system of support prices for selected agricultural commodities based on the concept of a parity price. The parity price was itself determined by multiplying the increase in prices paid for production inputs by farmers since the base period 1910-1914, by the average price received for the given farm commodity in the 1910-1914 period. 1/ Illustrating, if the average price of wheat in the period 1910-1914 was 75 cents a bushel, and the index of prices paid for production inputs in 1940 was 200 (with a base 1910-1914 = 100), the parity price for wheat in 1940 would be $\frac{200}{100}$ x \$0.75 or \$1.50.

Neither the 1933 or subsequent legislation provided support prices at 100 percent of the parity price, hence it follows that if income parity was tied to price parity, and support prices were below the parity price, farm sector parity with the industrial sector would continue to lag unless countervailing forces were sufficient to offset the implied deficiency. As it turns out there have been countervailing forces in operation, primarily the increase in productivity in the farm sector that has more then made up the difference between

1/ This period was chosen as a base because it was regarded as a period when farmers enjoyed prosperity and the income per worker in agriculture and the wage income per industrial worker were roughly equal.

Continued on page 30. See: EDITORIAL COMMENT

Research Summaries

CONSENSUS ECONOMIC FORECASTS

by B. Steuernagel

The feature article in this quarter's Review is a 1985 economic forecast for the Nation and Minnesota. Are economic forecasts worth anything? This Research Summary reports on several studies which have been done on the accuracy of forecasting organizations and how economic forecasts can best be utilized. A second section of the article compares forecasts of 1984 GNP, inflation, and unemployment with actual data and gives the 1985 forecasts from a group of econometric services.

Can economic forecasts be of any value for an individual faced with decisions regarding how much inventory to carry, when and how to finance expansion, or what to offer in wage negotiations? An individual could assume that 1985 will be like 1984 or some extrapolation of today's situation, or he could listen to an "expert's" forecast of 1985, or rely on his own "gut feeling". A study1/ done by Stephen McNees and John Ries, economists with the Federal Reserve Bank of Boston, showed that one is better off listening to professional forecasters than acting on the assumption that tomorrow's events are simple extrapolations of today, or that they are random. The researchers compared the forecasts of real and nominal GNP made by a group of six forecasting organizations from the first quarter of 1971 through the second quarter of 1983 with a "benchmark" forecast produced by an unconditional autoregressive moving-average time series based only on the past historical values of the predicted variables. This technique is the most sophisticated procedure available for extrapolating past trends into the future. Overall, the "benchmark" forecast ranked lowest among the six other forecasts. It was not the worst in every single quarter, but it was always close.

Yet, given the fact that particular forecasters outperform extrapolations, how do we know which forecast to use? McNees and Ries showed in their study that one individual may do a great job one year and a poor job the next. Also, one forecaster may predict the course of price changes on the nose and miss the unemployment rate by a mile.

Victor Zarnowitz of Columbia University studied more than 70 forecasting organizations and analyzed the results for inflation, unemployent, real and nominal GNP, changes in business inventories, and consumer expenditures on durable goods.2/ He concluded that it was difficult for individual forecasters to consistently predict more accurately than the entire group. The probabilities are high that, on average, the consensus forecasts made by individual economists and econometric services will be less wrong than one person's forecasts, and almost certainly less wrong than projections based on extrapolations.

In an article which appeared in the September-October 1984 issue of the Harvard Business Review, P.L. Bernstein and T.H. Gilbert show that the errors made by consensus economic forecasts are small enough to make them valuable for business decisions. The authors analyzed the Blue Chip Economic Indicators, a monthly consensus forecast of the year-to-year percentage rate of change of principal economic variables. The panelists in the Blue Chip survey make a forecast for the target year in June of the previous year. The panelists

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1/ "The Track Record of Macroeconomic Forecasts, "New England Economic Review, November-December 1983.

2/ "The Accuracy of Individual and Group Forecasts from Business Outlook Surveys", National Bureau of Economic Research, Working Paper 1053, December 1982.

continue to predict the outlook for the target year until the following June. According to their study, "Each year has its own peculiarities, but the overall record is impressive. The group shows an average error of only 1.1 percentage points between the October forecast of real GNP for the target year and the actual figure. By and large, the early forecasts capture the directional change from the current year. By and large, with the passage of time the consensus does move toward the actual figure".3/

In summary, studies have shown that economic forecasts deserve to be taken seriously, not necessarily because they will be perfectly accurate, but because they are made by people who understand business cycles and can recognize and anticipate developments, both expansionary and recessionary. The record suggests that a consensus of forecasts will probably be consistently more accurate than an individual forecaster or an extrapolation of the past.

The following table shows 1984 and 1985 forecasts of real GNP, prices, as measured by the implicit price deflator, and the unemployment rate and actual figures for the 1983-84 changes. A comparison of the individual companies' record to the consensus shows that only two of the thirteen forecasting organizations came closer to predicting the actual changes for all three measures of economic activity than the consensus. They were RSQE-University of Michigan and Wharton Econometrics.

Economic Forecasts, 1984 and 1985

	Percent Change IVQ 83 to IVQ 84		IVQ 84 Unemployment Rate	Percent Change IVQ 84 to IVQ 85		IVQ 85 Unemployment Rate
	Real GNP	Prices		Real GNP	Prices	
Actual	6.0	3.6	7.2	?	?	?
Chase Econometrics	4.0	5.0	8.1	2.5	4.7	7.6
Citicorp Information Services	3.9	6.2	7.7	2.3	6.4	7.5
Data Resources	4.4	5.0	7.8	1.8	3.7	7.7
Evans Economics	3.6	4.9	8.0	2.6	4.0	7.5
Fairmodel	5.6	5.2	8.1	3.3	4.5	7.9
Georgia State University	4.7	5.2	7.8	2.8	4.6	7.2
Kent Economic Development	4.3	5.7	7.9	2.6	4.9	7.6
Merrill Lynch Economics	4.7	5.6	7.8	3.0	4.6	7.2
RSQE, University of Michigan	5.6	4.7	7.9	4.3	4.2	7.0
A. Gary Shilling	3.8	3.7	8.0	0.0	2.3	8.5
Townsend-Greenspan	4.5	5.6	7.7	3.8	4.9	7.0
UCLA	4.7	5.4	7.9	4.4	4.0	7.2
Wharton Econometrics	6.6	3.9	7.8	3.9	3.9	6.8
Average	4.6	5.1	7.9	2.9	4.3	7.4

Source: Business Week, December 26, 1983 and December 31, 1984.

3/ "Are Economic Forecasts Worth Listening To?" Harvard Business Review, September-October 1984, p. 38.

The Job Market

MINNESOTA EMPLOYMENT OUTLOOK TO 1990

By B. Jones

The Minnesota 1990 industry and occupational projections are complete and the publication Minnesota Employment Outlook to 1990 will be available shortly. The following is a brief summary of the 1990 projections.

Overall employment is expected to increase from 1,998,400 in 1982 to 2,313,600 in 1990. This increase of 315,200 workers or nearly 16 percent represents a growth of about 39,400 new jobs a year. Openings due to labor force separations are expected to account for an additional 77,300 jobs a year.

Projected changes in employment during this period by major industrial categories are expected to vary from -8 percent to 22 percent. Agriculture, forestry, and fishing and mining are the only major industry categories expected to decline between 1982 and 1990. On the brighter side, employment in the trade sector is projected to increase at the fastest pace (22.0 percent). Other industrial sectors expected to rise at a faster rate than total employment in Minnesota are government, manufacturing, and finance, insurance, and real estate. With the exception of transportation and public utilities, the remaining sectors are anticipated to increase at approximately the same rate as total employment.

All major occupational categories, except farming, forestry, and fishing workers, will experience employment growth. The number of farming, forestry, and fishing workers will decline. The greatest number of workers will be found in managerial and professional, service, and clerical occupations. These three categories will comprise 56.5 percent of the state's total employment. In contrast, the three smallest categories, technical, laborers, and farming, forestry, and fishing workers will account for only 11.6 percent of the total.

Sales workers will be the fastest growing category in Minnesota between 1982 and 1990 with a rate of change of 24.5 percent. Machine operators with a growth rate of 18.9 percent is the second fastest. The remaining categories, with the exception of farming, forestry, and fishing occupations, are projected to experience varying growth rates ranging between 7.5 percent for laborers to 17.6 percent for technical workers. Employment of farming, forestry, and fishing workers will decline 8.3 percent during the 1982-90 period.

Job openings created by employment growth will account for approximately 34 percent of the total openings that arise in Minnesota between 1982 and 1990. The remaining openings will result from replacement requirements. Job openings due to growth and job openings due to replacement needs will total 929,100 during the 1982-90 period or 116,100 annually. Managerial and professional workers will be responsible for 202,700 of these openings. Replacement requirements will account for about 63 percent of these. Service occupations follow with 186,300 openings. Laborers, with only 23,300 job openings, will record the smallest workers requirements. All job openings occurring in the farming, forestry, and fishing occupations will be to replace workers leaving the labor force.

MINNESOTA EMPLOYMENT BY INDUSTRY
1982 and 1990

	1982	1990	Percent Change 1982-90
Total Employment	1,998,400	2,313,600	15.8%
Agriculture, Forestry and Fishing	122,940	113,010	-8.1
Mining	10,790	9,940	-7.9
Construction	88,840	102,870	15.8
Manufacturing	354,430	417,330	17.7
Transportation, Communications and Public Utilities	122,970	137,870	12.1
Trade	474,130	578,210	22.0
Finance, Insurance, and Real Estate	106,310	124,610	17.2
Services	653,470	753,820	15.4
Government	64,570	75,970	17.8

MINNESOTA OCCUPATIONAL EMPLOYMENT
1982 and 1990

	Employment			Total Openings 1982-1990		
	1982	1990	Percent Change 1982-90	Total	Growth	Separations
Total	1,997,130	2,313,640	15.8	929,047	316,507	612,540
Managerial and Professional	465,930	541,690	16.3	202,736	75,759	126,977
Technical	65,500	77,030	17.6	23,195	11,523	11,672
Sales	199,940	248,950	24.5	118,676	49,013	69,663
Clerical	333,970	392,320	17.5	162,857	58,352	104,505
Service	320,130	373,910	16.8	186,346	53,781	132,565
Farm	118,110	108,370	-8.3	41,679	-9,748	51,427
Craft	201,090	232,340	15.5	80,296	31,244	49,052
Machine Operators	215,330	256,120	18.9	89,978	40,781	49,197
Laborers	77,120	82,920	7.5	23,284	5,802	17,482

SUPPLY/DEMAND FOR SPECIFIC OCCUPATIONS, JANUARY 1985

by S. Hamper

MINNESOTA

Shortage Occupations: commissioned sales persons#, experienced computer programmers, experienced clerical workers#

Surplus Occupations: entry-level managers#, nurses#, welders, material handlers, construction workers#, factory assemblers#, general laborers#

CENTRAL MINNESOTA

Shortage Occupations: commissioned sales persons#, experienced computer programmers#, experienced clerk-stenographers#, factory trained auto mechanics

Surplus Occupations: management trainees#, registered and licensed practical nurses, retail sales clerks, construction workers#, material handlers, factory assembly workers#

MINNEAPOLIS-ST. PAUL

Shortage Occupations: experienced computer programmers, highly skilled clerical workers# (especially secretaries, typists, word processors, and accounting clerks), food service workers#

Surplus Occupations: financial managers, entry level managers#, welders, material handlers, factory assemblers#, general laborers#

NORTHEASTERN MINNESOTA

Shortage Occupations: none

Surplus Occupations: entry level managers#, teachers#, social workers#, registered and licensed practical nurses#, office clerical workers#, bookkeepers#, sales clerks#, nurse assistants#, maids#, waiters/waitresses#, food production workers#, machinists#, welders#, pipefitters#, carpenters#, painters#, bricklayers#, maintenance mechanics#, auto-diesel mechanics#, truck drivers#, mining crafts#, laborers: construction, general, and mining#

NORTHWESTERN MINNESOTA

Shortage Occupations: commissioned salespersons#, factory trained auto mechanics

Surplus Occupations: registered and licensed practical nurses#, entry level office clerks#, welders, truck drivers, construction workers#, janitors#, material handlers, general laborers#

SOUTHERN MINNESOTA

Shortage Occupations: part-time workers (15-20 hours per week)

Surplus Occupations: clerical workers#, construction workers#, production/factory workers#, farmers

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1/ Shortage occupations are those that are difficult to fill or go unfilled due to the lack of qualified applicants. Surplus occupations are those in which the number of qualified applicants greatly exceeds the number of openings.

This occupation has been listed as a shortage or surplus occupation in at least two out of the last three quarters of the Review.

Job Service Applicant Supply and Demand

Table 1 compares Job Service (J.S.) job applicants with the J.S. job openings that existed at the end of the month. These comparisons are expressed as supply/demand ratios. Other things being equal, the greater the ratio of applicants to openings, the greater the competition has been for work within that occupational category. To put these ratios into context, the reader must remember that not only do job seekers and employers in general find jobs or recruit workers through other means, but those interested in certain kinds of jobs are particularly unlikely to use the J.S. For example, workers seeking professional and managerial jobs are least likely to use the J.S., whereas employers usually recruit construction workers through union halls and hire teachers directly. Thus, the main value of Table 1 is that it reflects, for broad occupational groups, the relative labor market conditions that those using the J.S. encountered when seeking work. Readers who desire information on current shortage and surplus conditions for a specific occupation should refer to the Supply/Demand assessments given above.

Table 1. Experienced Supply/Job Openings Demand[1/]

Occupation	Applicants (Supply) Jan. 1985	Job Openings (Demand) Jan. 1985	Supply/Demand Ratio Jan. 1985	Supply/Demand Ratio Jan. 1984
Total	120439	13451	9.0	9.6
Prof., Tech., Mgr.	13707	1463	9.4	10.7
Clerical	20401	3312	6.2	8.0
Sales	5609	1254	4.5	3.1
Dom. Services	1807	156	11.6	9.7
Other Services	20223	3857	5.2	7.9
Farm., Fish., For.	2722	69	39.4	15.2
Processing	2363	314	7.5	7.6
Machine Trades	8093	519	15.6	15.0
Benchwork	8510	845	10.1	11.5
Structural Work	16618	566	29.4	30.8
Mtr. Frght., Trans.	5327	476	11.2	17.1
Pkg. & Mat. Hndlg.	13772	580	23.7	8.4
Other	1287	40	32.2	20.1

1/ Inexperienced and improperly coded job applicants are not included in this table.

Feature Article

1985 ECONOMIC OUTLOOK

By R. Pinola

I. 1984 in Retrospect

Over the past year, both the national and Minnesota economies left forecasters (including ourselves) understating the growth in economic activity. While most forecasters predicted a 4.0 to 5.0 percent growth in price-adjusted Gross National Product (GNP), preliminary estimates show that it expanded by 6.8 percent over the 1983 level. The surprisingly large growth in real GNP was primarily due to a much better than expected increase in investment spending. Meanwhile, the substantial increase in real GNP also triggered changes in employment and unemployment that were more favorable than had been forecast.

With regard to the investment expenditures component of GNP, outlays for new plant and equipment exhibited one of the best turnarounds of Post World War II recovery periods. This despite dire predictions by many prestigious analysts and economists that the Federal deficit and high interest rates would inhibit an expansion in investment spending. In our 1984 forecast we had argued that, in contrast to a cash shortage, an expansion in output and sales would generate increased profits and cash flows that could be expected to support a large part of investment spending. We have also held (elsewhere) that even if manufacturer's capacity utilization rates remain well below engineering capacity, the pressures for modernization and efficiency to meet competition from abroad and at home can induce entrepreneurs to underwrite new plant and equipment expenditures out of improved cash flows. Since manufacturer's capacity utilization rates in 1984 hovered around 80 percent, it appears that the need for modernization proved to be more compelling than might have otherwise been inferred in generating investment expenditures at an above average rate.

On the consumption side of GNP, the increase in price-adjusted consumer spending, at 5.3 percent, was a tad lower than the increase in real disposable income (5.5 percent). Given the continued high level of consumer confidence as reflected in the surveys of the University of Michigan Survey Research Center, and the relatively healthy increase in disposable income, one would expect consumer spending increases to be moving in tandem with increases in personal credit.1/ This is exactly what happened. One factor that many forecasters (ourselves included) underestimated for 1984 was the substantial increase in installment credit. Thus, although the savings rate increased from 5.0 to 6.1 percent of disposable income, consumer spending moved in parallel with the increase in disposable income.

Meanwhile, although favorable inflation rates, expanding employment, and the high level of consumer confidence favored a substantial increase in housing starts, high interest rates played havoc with this sector of the

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1/ No doubt, containing inflation helped to keep consumer confidence at a high level. The average annual increase in the All Urban Consumer Price Index was 4.2 percent. On the other hand, producer prices rose even much slower, rougly by 1.2 percent.

*This article was prepared by R. Pinola, Director Research and Statistical Services Office of the Minnesota Department of Economic Security.

economy, limiting the gain to a very modest 2.4 percent (from 1,703,000 units to 1,745,000 units) in 1984. Still, housing activity in 1984 managed to remain 64.3 percent above the 1982 level when only 1,062,000 units were started. If 1985 interest rates show a continuation of the declines that begin in late 1984, the housing industry may be the growth sector for propping up an economy in which installment credit has largely run its course for supporting expenditures on consumer durable goods. Looking at labor market conditions, both U.S. and Minnesota employment grew faster than expected, even in the face of mounting imports of consumer goods. Minnesota employment rose by 4.4 percent in 1984 compared to our year-ago forecast of 4.0 percent, whereas U.S. employment showed a 4.2 percent gain in contrast to our forecast of 3.4 percent. Also on the positive side, unemployment at both the national and State level fell by 21.0 percent, producing average annual unemployment rates of 7.5 percent and 6.3 percent, respectively, for the Nation and Minnesota. These were lower than our forecast rates of 7.9 percent and 6.4 percent. As 1984 drew to a close, some optimism for further improvements in labor market conditions could be gleaned from the leading economic indicators which had earlier suggested only modest increases in real GNP and industrial production in 1985.

At this time, no one seems to know how the value of the U.S. dollar will behave in 1985, hence conjectures regarding imports and exports, and their effect on labor demand in critical industries, will be difficult to predict. Although existing quotas are likely to be continued, and new ones instituted, whether they are effective in protecting jobs in threatened industries remains to be seen. As long as the dollar remains strong, putting a cap on imports will largely remain a short-run expedient of questionable virtue.2/

II. Issues and Problems

The Shortage of Capital Once More

Over the past two years we have been exposed to a steady stream of rhetoric from a variety of sources, including some well-known economists, telling us how the Federal deficit was creating a shortage of capital that would inhibit new investment and a sustained economic recovery. In our forecast for 1984, we suggested that such dire predictions were misplaced and exaggerated for two reasons. The first being that with economic recovery corporate profits and cash flows would provide an ample supply of capital; the second being the ability of the Federal Reserve to accommodate an increased demand for loanable funds through the banking system.3/ As it turned out, we had one of the largest expansions in new plant and equipment expenditures of the postwar period without a serious

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2/ Questionable in the sense that a change in foreign exchange rates, together with reduced incomes and demand due to a world-wide recession, are largely responsible for our poor foreign trade performance. As Robert Z. Lawrence has shown, the devaluations of the U.S. dollar in 1971, 1973, and 1979 provided our manufacturing and agricultural sectors with an important favorable edge in world trade. See his, Can America Compete?, Brookings Institution, 1984.

3/ Those familiar with the use of fractional reserves by the banking system to expand the money supply can appreciate the ease with which this can be accomplished. Some would argue that this automatically leads to inflation. Empirical studies suggest that there is no direct link between the quantity of money and the rates of inflation. Moreover, the usual notion that inflation is caused by too much money chasing too few goods is only applicable when the economic system is producing at capacity and printing presses are churning out money with abandon. As the stagflation of the 1970's demonstrated, one can have two-digit inflation rates even when the economy is operating far below capacity.

shortage of capital and a track record on inflation that was considerably better than in the 1970's and in much of the world.4/ We might add that the absence of a capital shortage occurred despite action by the Federal Reserve to keep a lid on the money supply well into the calendar year. In the face of this experience, one might be prompted to ask, why were the analysts so wrong?

As anyone with an exposure to the first course in economics should know, the short-run unit cost curves of modern corporate enterprise fall continuously as output increases until capacity is reached. Also, corporation's such as General Motors and General Electric practice target pricing in which the price is set to yield a targeted profit at a level of output considerably below capacity, usually 60 to 65 percent of capacity. Since unit costs fall as output rises, it follows that if operations are profitable at 60 percent of capacity, they will be significantly more profitable at 80 percent of capacity, a level, incidentally, that was roughly the average for the manufacturing sector in 1984.

Admittedly, not all businesses, in fact relatively few, practice target-profit pricing in the same manner as General Motors or General Electric. However, all businesses practice some form of mark-up pricing in which the mark-up is geared to yield a profit, usually at output levels considerably below capacity.5/ Once one recognizes the reality of declining unit costs until capacity utilization rates are reached, it is easy to appreciate the generation of adequate cash flows to support new investment in an economy recovery. Only bad management, or some shock as the 1974 energy crunch, can blunt the cash flows of a corporate enterprise when output and sales are increasing. In summary, the predicted shortage of capital that is linked to the Federal deficit proved to be a myth, and much like the reported death of Mark Twain, grossly exaggerated.

The U.S. Dollar and the Trade Deficit

Probably more printer's ink has been misapplied over the past year on the connection between the U.S. dollar and our foreign trade deficit than any other economic topic, including poverty. Here, again, the Federal deficit is trotted out as the primary culprit. While it is true that currency exchange rates can produce ebbs and tides in a nation's balance of trade, in our present case the connection is not only overstated, but its linkage with the Federal deficit is over-simplified. What is often overlooked is that over the past two years a strong economic recovery in the U.S. has not been matched by a similar recovery in most of the developed and Third World nations, hence, our imports have been rising faster than our exports. This has exacerbated what was already a tenuous foreign trade position of the U.S. that began in the late 1960's, which hit the nation full face in the early 1970's, causing two successive (1971 and 1973) devaluations of the U.S. dollar. Also contributing to the underlying problem was the peaking of economic growth and income generation in Western Europe in the mid 1970's, some of it due to the energy crunch, but much of it due to the exhaustion of rapid gains in

4/ Producers prices on finished goods increased by less than 2.0 percent in 1984, while consumer prices rose by roughly 4.0 percent.

5/ In one corporation familiar to the author, profitability is assured at 50 percent of capacity operation.

economic growth for catching up with pent-up postwar consumer demand. This slowed income generation and the demand for our exports in Western Europe after 1975. The effects have been more pronounced since 1979.

It should be noted that the devaluation of the U.S. dollar in 1971 and 1973 also masked the underlying problems in our foreign trade account. By spurring exports, it gave an illusion of health and allowed the prices of many domestically produced commodities that moved in foreign trade to rise above what normal market conditions would have warranted. Thus, while selling soybeans at $6.50 to $7.00 a bushel was no problem in the aftermath of devaluation, it was no longer tenable as the dollar later climbed in value. The upshot of this situation was that either prices had to fall or the Federal government would be under pressure to protect domestic producers through quotas or, in the case of selected farm commodities, a floor on support prices.6/

If exchange rate protection provided trade relief and an accommodation to price increases in traded commodities, it also added to the problem of oversupply by inducing the entry of new producers and the expansion of capacity of existing producers.7/ Such over-supply and excess capacity has, in turn, produced the kind of cut-throat price competition that had been largely absent in postwar foreign trade.

In short, the strong U.S. dollar, while admittedly contributing to our current malaise in foreign trade, is not the only or even primary cause. One could just as well argue that the devaluations of 1971, 1973, and 1978-79 created the problem, but this, too, would be an oversimplification. Much of the same problem applies to linking the strength of the U.S. dollar to the Federal deficit. Simply focusing on the differential in Treasury bill rates and those of foreign securities overlooks some important facts. For one, it overlooks the fact that returns on U.S. private investment have been higher than those in sluggish foreign economies. Secondly, it ignores the prevalence of substantial flights of foreign capital in search of some reasonably safe harbor. Thus, when measured against the unstable and often volatile political and economic conditions in many countries of the world, the U.S., despite all its warts, has become an attractive place in which to invest. Thirdly, while rapidly appreciating values and uncertainty in economic affairs led to considerable investment in gold and other precious metals and gems in the mid-1970's, they did not provide the kind of return on investment that early appreciations in value suggested. Once it became evident that the world was not going to hell in a hand basket, and that OPEC was no longer dictating world economic fortunes, the price of gold began to tumble, followed by substantial dis-investment in precious metals. This left sizeable holdings of liquid assets looking for a new home. Lastly, many nations whose economies were performing only marginally, had their central banks purchasing dollars to keep the value of their currency low in order to promote exports.

In summary, too much faith seems to have been placed on the uncertain connection between the Federal deficit and the high exchange value of the dollar. Also, to argue that our poor export performance is primarily due to the value of the dollar is overstated. In November 1984, American

6/ In the agricultural sector, the mistaken notion that the inflated prices of the 1970's were a correct reflection of the market led to the higher base or support prices for selected commodities. As any schoolboy would know, this could be expected to aggravate an already over-abundant supply problem.

7/ A classic case is the steel industry where protection, along with overly-optimistic projections of global demand have caused a surfeit in steel-making capacity.

companies were quoting a price of $550 per ton for cold-rolled sheet steel when imported sheet steel was often selling for less than $400 per ton. It has been estimated that the 1971, 1973, and 1978-79 devaluations of the dollar provided an effective 13.5 percent reduction in our export prices. Clearly, the difference between $550 steel and $400 steel (a differential of 27.3 percent) is considerably more than what we gained from devaluation. It would be interesting to know the price differentials on other commodities, including those of the agricultural sector, to help put matters in proper focus.

III. The 1985 Forecast

Forecasts of economic activity invariably must rest on assumptions regarding the behavior of key variables. Inasmuch as we employ the National Income Accounts model for forecasting, we consider the factors conditioning each of the major components of Gross National Product (GNP) in arriving at a forecast change in each component and the aggregate level of economic activity. In forecasting employment and unemployment behavior we utilize the forecast changes in GNP, expected changes in productivity, hours worked, and the labor force, each of which is viewed in terms of historical experience with changes in aggregate spending and demographics. In the case of Minnesota employment and unemployment, we have found that changes in Minnesota employment generally moves in parallel with changes in GNP, albeit with a short (4 to 6 months) time lag.8/ With this as background on our methodology, we proceed to state the assumptions on which our forecasts are based, after which we provide tables summarizing our U.S. and Minnesota forecasts for 1985.

Fiscal and Monetary Policy

The Federal budget deficit in 1985 is expected to hover around $200 billion. This despite current negotiations on the Fiscal Year 1986 budget that takes effect on October 1. National defense and the ten largest entitlement programs will continue to absorb over two-thirds of the total Federal budget, hence they have an important bearing on total Federal spending. Currently, defense expenditures are projected to rise by 10 to 12 percent, whereas outlays for Social Security are geared to grow by roughly 4 percent. Various other programs can be expected to reflect 1984 experience, suggesting a repeat performance of Federal spending in 1985. Given increased tax revenues generated by increases in income and employment, State and local government spending is also expected to grow close to the pace experienced in 1984.

On the tax side, reduced marginal rates on income at the Federal level will largely be offset by increases in Social Security taxes, leaving little relief to wage and salary workers whose annual earnings fall below $40,000. At the State level, increasing revenues are prompting some states to provide tax relief on income taxes, but any reductions in withholdings will probably occur only after mid-year or not until 1986.

With regard to monetary policy, since inflationary pressures are considered to be less threatening than in previous recovery periods, the Federal Reserve seems more inclined to allow the money supply to expand at a slightly faster pace than in 1984. This should have a salutary

8/ We first noted this lag in 1971 and the experience over the past 13 years indicates that this relationship has not materially changed.

effect on interest rates and residential construction. It should also assist businesses to refinance short-term debt at more favorable terms and induce consumers to spend more on durable goods.

Disposable Income and Consumers Spending

In 1984, total personal income grew by 9.8 percent while disposable personal income rose by 10.2 percent. Last year's growth in personal income was relatively strong across all the major components, except for transfer payments which rose by only 2.9 percent. Based on an assumed wage drift of 4.5 percent and employment growing between 2.5 and 3.0 percent, labor income in 1985 should grow by 7.0 to 7.5 percent. This is short of the 9.1 percent increase in 1984, but still sufficient to finance increased spending. Meanwhile, personal interest income can be expected to grow substantially slower as interest rates show further moderation. Dividend, rent, and other property income, except farm proprietorship income, seems destined to grow at the 1984 pace, whereas transfer payments will largely reflect cost of living adjustments and an expansion in the number of recipients of Social Security. Putting this all together, we forecast total personal income growing by 7.5 percent and disposable personal income rising by 8.0 percent in 1985.

Consumer spending depends not only on income, but the inclination to spend and the availability of credit. Consumer confidence remains relatively high, and with projected increases in income and employment should remain fairly high through much of 1985. The savings rate in 1984 was 6.1 percent of disposable personal income, up from 5.0 percent in 1984. The savings rate is projected to move down a tad and installment credit to grow a bit more on the strength of consumer confidence and reduced interest rates. Consequently, consumer spending should grow at about the same rate as the growth in disposable income.

Investment Spending

It seems highly unlikely that 1985 outlays on new plant and equipment will come near the increases in 1984. Increases in cash flows are more likely to be directed to maintaining dividend payments and keeping shareholders happy. Therefore, we expect fixed nonresidential investment to grow at half the pace of 1984. On the other hand, the moderation in mortgage interest rates can be expected to provide a boost to residential construction. We estimate housing starts at between 1.8 million and 1.825 million in 1985, about the same rate of increase that occurred in 1984.

Labor Force, Productivity, and Hours Worked

The U.S. labor force grew by 3.0 percent in 1984, substantially faster than most forecasters predicted. No doubt, much of the increase came from the discouraged worker group whose numbers exceeded 1.6 million in 1983. Studies have shown that of the total number of discouraged workers, over 34.7 percent have either never worked or last worked more than 5 years ago.9/ Therefore, we would expect this pool of potential re-entrants to generate a smaller expansion to the labor force in 1985.

9/ See, Paul Flaim, "Discouraged Workers: How Strong are Their Links to the Job Market?", Monthly Labor Review, August 1984.

Additionally, despite increases in female and youth participation rates, demographic trends support an assumption of a reduction in the growth of new entrants to the labor force. Hence, we doubt a repeat performance in labor force growth in 1985.

As expected, productivity increases with higher levels of economic activity, and 1984 was no exception. The large gain in the manufacturing sector (4.1 percent) was, however offset by much lower increases in the trade and services sectors. Overall, productivity probably rose by no more than 2.0 percent in 1984. Although not exactly a correct procedure, one can get an approximation of the overall productivity increase by subtracting the combined effect of an increase in employment (4.2 percent) and the increase in hours worked per week (0.8 percent) from the increase in GNP (6.8 percent). Looking to 1985, we used historical experience to justify a reduced rate of increase in productivity.

As the economy picked up speed in 1984, hours worked per week also rose. As noted above, we estimated this increase at 0.8 percent based on incomplete data. With a moderation in the pace of economic activity we do not expect hours to rise much above current levels, at best no more than 0.1 to 0.2 percent.

Forecasts of U.S. and Minnesota Economic Conditions

Tables 1 through 3 provide summary tabulations of changes in the relevant economic and labor market variables for the U.S. and Minnesota. We remind readers that these forecasts are only as good as the underlying assumptions on which they are based.

Table 1
FORECAST CHANGES IN GNP AND COMPONENTS, 1985/1983

Component	Estimated % change
A. Income and Consumption	
1. Disposable Personal Income	8.0
2. Consumption Effect of Change in Savings Rate	0.05
3. Consumption Effect of Installment Credit	0.15
4. Total Change in Personal Consumption	8.2
5. Price-Adjusted Change in Personal Consumption	4.0
6. Net Contribution to Change in GNP	2.6
B. Gross Private Domestic Investment (GPDI)	
1. Nonresidential Fixed Investment	10.0
2. Residential Fixed Investment	11.0
3. Impact of Change in Business Inventories	4.0
4. Total Change in GPDI	9.5
5. Price-Adjusted Change in GPDI	6.0
6. Net Contribution to Change in GNP	1.0
C. Government Purchases of Goods & Services	
1. Federal	9.0
2. State and Local	7.5
3. Total Change in Government Purchases	8.1
4. Price-Adjusted Change in Government Purchases	3.1
5. Net Contribution to GNP	0.6
D. Exports-Imports Adjustments to GNP	-0.1
E. 1985/1984 Change in Real GNP	4.1

Table 2
FORECASTS OF U.S. LABOR MARKET CONDITIONS

Item	1984 Average	Estimated % Change	Estimated 1985 Average
1. Output Per Man-Hour		1.4	
2. Hours Worked Per Week		nil	
3. Civilian Labor Force	113.5 mil.	2.0	115.8 mil.
4. Civilian Employment	105.0 mil.	2.7	107.8 mil.
5. Unemployment	8.5 mil.	-5.9	8.0 mil.
6. Unemployment Rate	7.5%	-8.0	6.9%

Table 3
FORECASTS OF MINNESOTA LABOR MARKET CONDITIONS

Item	1984 Average	Estimated % Change	Estimated 1985 Average
1. Labor Force	2229 Thous.	2.2	2278 Thous.
2. Employment	2088 Thous.	3.2	2155 Thous.
3. Unemployment	141 Thous.	-8.7	123 Thous.
4. Unemployment Rate	6.3%	-8.6	5.4%

Postscript

The business cycle is not only unique to market economics, but it provides much food for the grist mill. The onset of every recession is accompanied by a plethora of gloom and doom pronouncements, while each recovery is heralded as reflecting renewed vigor and resiliency of our economic system. About ten years ago, we decided to chronicle the postwar booms and busts in terms of selected key variables that might be considered as indicators of the health of the economic patient. At that time, we noted that comparisons of the severity of a recession and the robustness of a recovery depended on which variable one used. We have periodically up-dated our chronicle to reflect the more recent turn of events. The table which appears on the following page is based on data through mid-year 1983. We thought readers would be interested in using it to play games with their friends in a new trivial pursuit to identify/guess the worst recession and the best recovery. To make the game more interesting, players might decide to give different weights to particular variables. Lest anyone have notions of merchandising this new trivial pursuit, we warn them that it is already patented. Hence, forewarned is forearmed.

Table 4. - Percentage Change in Selected Variables in Economic Contractions and Expansions*

Period	Percentage Change in Variables						
	Real GNP (1972 $)	Capacity Utiliz. Rate	Disposable Income (1972 $)	Civilian Employ't.	Unempl.	Size of GNP Gap**	Output Per Man-Hour***
1949 Recession							
Contraction	0.6	-10.8	0.2	-1.2	59.6	NA	2.5
Expansion	8.7	12.2	7.7	2.2	-9.5	NA	4.3
1954 Recession							
Contraction	-0.2	-5.4	1.4	-0.8	55.9	2.9	1.0
Expansion	3.2	-1.2	3.8	0.3	18.0	1.0	3.5
1961 Recession							
Contraction	-1.1	-12.3	0.5	-1.4	60.1	7.2	1.7
Expansion	6.1	8.4	4.3	1.7	-12.1	4.7	4.2
1970 Recession							
Contraction	1.0	-6.7	1.6	0.8	22.5	7.5	0.4
Expansion	5.7	5.2	3.9	9.6	-5.9	5.2	4.4
1974 Recession							
Contraction	-1.9	-6.5	-0.5	2.0	27.6	5.0	-1.7
Expansion	2.3	-6.4	4.3	0.0	36.4	6.8	2.0
1980 Recession							
Contraction	-0.2	-5.7	-0.1	0.6	18.0	4.2	-1.2
Expansion	1.1	-2.1	1.8	0.6	11.2	5.6	1.3
1982 Recession							
Contraction (July 1981 thru Dec. and 4th Qtr. 1982)	0.1	-10.2	2.0	-0.5	29.0	10.6	1.1
Expansion (January 1983 thru July 1984)	5.0	5.0	5.5	2.3	0.4	NA	4.1

* All percentage changes except those for the 1974 recession and the 1982 recession are based on use of 4-quarter averages prior to the contraction, coincident with the contraction, and for the succeeding recovery. For the 1974 recession a 5-quarter period was used. For the 1981-2 recession a 6-quarter period was used.

** All figures in this column represent the shortfall in actual compared to potential GNP expressed as a percentage of actual GNP.

*** Output per man-hour is for the nonfarm business sector.

NA This estimate has been discontinued by the Bureau of Economic Analysis, U.S. Department of Commerce.

Brief Analysis Of Economic Conditions

THE NATIONAL AND STATE ECONOMIES AT YEAR'S END

by B. Boyle

Nation

Special one-time developments in the economic indicators for January make it somewhat difficult to tell whether the upturn in economic activity which began in November is still continuing. Economists, however, believe that the economy still has considerable momentum and expect the expansion to continue through 1985.

Even though the seasonally adjusted unemployment rate rose in both December and January, labor market conditions generally continued to improve in January after showing considerable improvement in the fourth quarter. Both seasonally adjusted total and nonfarm payroll employment rose strongly in the fourth quarter after rather poor showings during the summer quarter. Moreover, payroll employment also climbed significantly in January as retail trade, construction, and business and health services posted sharp gains. However, unusually mild weather in January was partly responsible for the strong increase in construction employment while manufacturing employment, which had risen steeply in December, evidenced only modest growth.

The best evidence of a robust fourth quarter was the 4.9 percent rise in real gross national product, which compared very favorably with the weak 1.6 percent growth in the third quarter. Meanwhile, industrial production, personal income, and personal spending which had picked up significantly in November and December continued to show healthy increases in January. Part of the January rise in industrial output was due to increased utility output because of cold weather. Cold weather also was responsible for increased personal spending for electricity and gas. Most of the January growth in personal income was due to a delay in military retirement benefits.

State

With the exception of the mining industry, the employment numbers indicated that the Minnesota economy generally continued to expand in the fourth quarter. Although many farmers are having serious financial problems, these difficulties are not reflected in either the employment or unemployment statistics.

Recently revised labor force data show that the seasonally adjusted unemployment rate rose from 6.0 percent in the third quarter to 6.4 percent in the fourth quarter. However, the January rate fell to 6.4 percent from 6.6 percent in December, a reflection of the shrinkage in the labor force. Seasonally adjusted total employment also climbed in the fourth quarter, rising by 31,000 after a gain of 35,000 in the third quarter. The increases in both fourth quarter employment and unemployment indicate that greater numbers of people are searching for jobs. Revisions in the establishment data also showed improvement in the fourth quarter as seasonally adjusted nonfarm wage and salary employment rose by 21,600 in the final quarter after a rise of 25,700 in the third quarter. The employment increases in the third and fourth quarters would have been roughly equal if mining employment had not declined. In contrast to the total employment decline, seasonally adjusted nonfarm payroll employment increased by only 5,000 in January, as substantial rises in the trade and services sectors were offset by declines in mining and manufacturing. Over the year, payroll employment was up by 95,300, with the largest gains being in trade (33,600), services (27,100) and manufacturing (18,500).

Forecasts

FORECASTS OF GNP & MINNESOTA PAYROLL EMPLOYMENT

Forecasted growth in the Nation's real (price adjusted) GNP and in total Minnesota Nonagricultural Wage and Salary employment showed increased rates on an over-the-year basis compared to those prepared one quarter ago. This occurred since actual growth in real GNP for the final quarter of 1984 was stronger than the preceding quarter and more robust than expected. Also, as a result of annual benchmark revisions, total Minnesota employment estimates were increased for 1984.

The result is forecasted growth in real GNP of 4.24 percent for 1985 and 4.25 percent for 1986. Growth rates for Minnesota payroll employment are forecast at 4.63 percent for 1985 and 4.77 percent for 1986. For 1985, growth in service industries (at 6.75 percent) is forecast to exceed that for all industries as an average, while manufacturing industries (at 3.60 percent) show somewhat slower growth than the total.

Percent forecast errors for the fourth quarter of 1984 were: -0.42 (real GNP), -0.61 (payroll employment), +18.27 (Mining), +1.38 (Construction), -1.47 (Manufacturing), +0.58 (Transportation, Communication and Public Utilities), -1.65 (Trade), -0.29 (Finance, Insurance and Real Estate), -1.19 (Services), and -0.33 (Government).

Quarter	Real GNP (Billions of 1972 Dollars)	MINNESOTA PAYROLL EMPLOYMENT, BY QUARTER (In Thousands)								
		Total Nonagricultural Wage & Salary	Mining	Contract Construction	Manufacturing	Transportation, Communications, & Public Utilities	Retail and Wholesale Trade	Finance, Insurance, & Real Estate	Services	Government
Current										
1984-IV	1664.80	1878.15	8.10	76.42	380.09	98.88	478.20	107.04	430.25	299.17
FORECASTS										
1985-I	1676.23	1840.84	8.14	56.90	375.19	97.01	461.94	107.62	428.54	303.06
1985-II	1696.46	1911.48	9.98	71.38	383.59	99.83	484.80	110.15	444.79	304.36
1985-III	1716.65	1936.29	10.34	84.18	400.40	99.82	491.01	112.08	450.69	279.84
1985-IV	1735.42	1965.24	9.72	79.17	393.80	102.88	499.12	111.93	459.29	303.14
1986-I	1756.06	1923.74	9.29	59.45	388.65	100.76	485.84	112.36	457.88	305.99
1986-II	1773.76	1998.12	10.60	74.87	396.49	103.25	509.52	115.03	476.24	306.74
1986-III	1791.41	2028.55	10.78	88.14	414.45	103.88	514.80	116.96	482.08	283.32
1986-IV	1809.32	2059.03	10.17	82.45	408.16	107.07	524.00	116.91	491.20	304.88

Notes

1. These forecasts are produced using the Vector Autoregression model developed for Research by Rao Aiyagari.
2. The concept of employment forecasted is that of Nonagricultural Wage and Salary employment. The count represents the number of jobs held since the data is generated from a survey of employer payroll records. Groups included in labor force employment, but excluded here are the self employed, domestics, unpaid family workers, employees of nonprofit institutions, and those government workers not covered by unemployment insurance.
3. Employment forecasts are seasonally unadjusted values. Real GNP is seasonally adjusted.
4. Forecasts of major industry employment do not sum to the forecast of total wage and salary employment. This is due to random error in the forecasted values.
5. There is great diversity in the accuracy of our forecasts among the major industry division. More information on their accuracy can be obtained from the author on request.

Labor Force Statistics

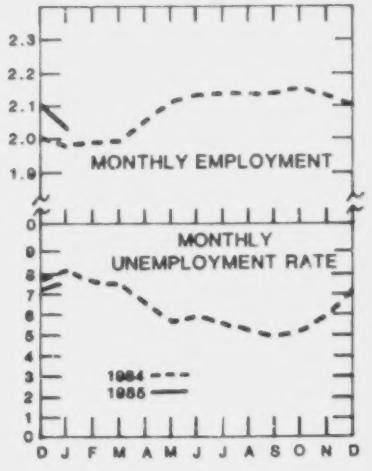
Labor Force Estimates	MINNESOTA (Numbers in Thousands)			UNITED STATES (Numbers in Millions)		
	January 1985	Change From Last Mo.	Change From Year Ago	January 1985	Change From Last Mo.	Change From Year Ago
Civilian Labor Force	2192.9	-70.1	47.6	113.5	-0.5	2.5
Employed	2028.3	-73.6	57.0	104.4	-1.7	3.1
Unemployed	164.6	3.5	-9.4	9.1	1.2	-0.6
Unemployment Rate						
Actual	7.5	0.4	-0.6	8.0	1.0	-0.8
Seasonally Adjusted	6.4	-0.2	-0.6	7.4	0.2	-0.6

Historical Labor Force Series

Year	Minnesota (Annual Average in Thousands)				United States (Annual Average in Millions)			
	Labor Force	Employment	Unemployment Number	Unemployment Rate	Labor Force	Employment	Unemployment Number	Unemployment Rate
1970	1625.0	1557.0	68.0	4.2	82.8	78.7	4.1	4.9
1971	1664.0	1592.0	73.0	4.4	84.4	79.4	5.0	5.9
1972	1704.0	1630.0	73.0	4.3	87.0	82.2	4.9	5.6
1973	1766.0	1686.0	80.0	4.5	89.4	85.1	4.4	4.9
1974	1769.0	1691.0	77.0	4.3	91.9	86.8	5.2	5.6
1975	1790.0	1684.0	106.0	5.9	93.8	85.8	7.9	8.5
1976	1850.0	1740.0	109.0	5.9	96.2	88.8	7.4	7.7
1977	1909.0	1811.0	98.0	5.1	99.0	92.0	7.0	7.1
1978	1979.0	1903.0	76.0	3.8	102.3	96.0	6.2	6.1
1979	2039.0	1954.0	85.0	4.2	105.0	98.8	6.1	5.8
1980	2111.0	1985.0	125.0	5.9	106.9	99.3	7.6	7.1
1981	2154.0	2035.0	119.0	5.5	108.7	100.4	8.3	7.0
1982	2167.0	1998.0	170.0	7.8	110.2	99.5	10.7	9.7
1983	2176.0	1999.0	178.0	8.2	111.6	100.8	10.7	9.6
1984	2229.0	2088.0	141.0	6.3	113.5	105.0	8.5	7.5

MN and the U.S., Employment & Unemployment Rate

MN, 1984 and 1985



Labor Market Conditions

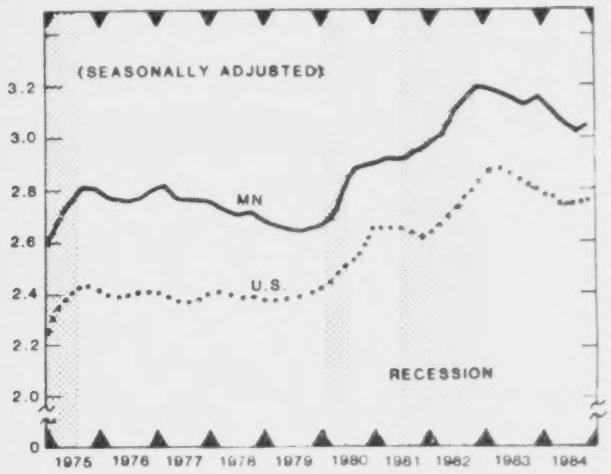
The table and graphs in this section describe the behavior of the market for labor services in terms of its quantity, price, and supply. The quantity of labor services, which is the number of employed persons, is classified by industry. The price of labor services is roughly indicated by the industry wage. Unemployment estimates provide a qualified measure of excess labor supply. The degree to which persons participate in the labor market and the effectiveness of the market in utilizing labor services are indicated by Labor Force Estimates and by Other Rates of Labor Utilization.

Labor Force And Establishment Data	MINNESOTA (Numbers in '000's) IV QTR. 1984	Percent Change From Last Qtr	Percent Change From Year Ago	UNITED STATES (Numbers in '000's) IV QTR. 1984	Percent Change From Last Qtr	Percent Change From Year Ago
LABOR FORCE ESTIMATES						
Total Labor Force	2266.9	0.3	4.0	114131	-0.8	1.9
Employment	2129.0	-0.5	4.9	106186	-0.4	3.3
Nonagriculatural	n.a.	n.a.	n.a.	103017	0.1	3.4
Agriculatural	n.a.	n.a.	n.a.	3169	-15.2	0.0
Unemployment	137.9	14.8	-7.8	7945	-5.2	-13.3
By Reason - New Reentrants-%*	n.a.	n.a.	n.a.	38.9	-0.5	8.4
By Reason - Quit-%*	n.a.	n.a.	n.a.	10.3	3.0	15.7
By Reason - Lost-%*	n.a.	n.a.	n.a.	50.8	-0.2	-8.0
Unemployment Rates						
Actual	6.1	15.1	-11.6	7.0	-4.1	-14.6
Seasonally Adjusted	6.4	6.7	-11.1	7.2	-2.7	-15.3
OTHER RATES OF LABOR UTILIZATION						
Participation Rt (Labor Force/Population 16+)	n.a.	n.a.	n.a.	64.5	0.2	0.6
Full Employment Deficit - Percent of Workers1/	2.1	1.3	2.9	3.0	3.3	4.2
Manpower Utilization Rate2/	84.0	-0.1	0.1	83.0	0.0	1.5
NONAGRICULTURAL WAGE AND SALARIED POSITIONS						
Employment*	1856.5	1.5	6.5	95480	1.0	4.1
Mining	8.6	-10.4	10.3	1009	-0.6	4.3
Construction	75.0	2.5	20.2	4407	1.0	8.3
Manufacturing	374.1	0.3	6.6	19731	0.3	3.8
Durables	226.1	0.4	7.7	11784	0.6	5.5
Nondurables	148.0	0.3	4.9	7947	-0.2	1.3
Trans., Comm., & Public Utilities	97.1	0.1	3.5	5229	0.6	3.5
Trade	471.7	2.1	8.5	22215	1.6	5.1
Fin., Ins., & Real Estate	107.0	1.1	4.4	5727	0.8	3.6
Services	426.9	2.5	6.7	21047	1.3	5.0
Government	296.1	1.4	1.8	16115	0.7	1.6
Average Weekly Hours*						
Mining	38.4	-0.8	6.7	43.4	-0.2	0.5
Construction	38.0	-2.1	3.8	37.7	-2.1	2.4
Manufacturing	40.1	-0.2	-0.5	40.5	0.0	-0.2
Durables	41.0	0.0	-0.2	41.3	0.0	0.0
Nondurables	38.7	-0.5	-1.0	39.5	0.3	-0.5
Trans., Comm., & Public Utilities	37.7	0.3	-2.8	39.4	-0.8	0.3
Trade	29.6	-2.0	-4.5	32.0	-0.3	-0.6
Fin., Ins., & Real Estate	n.a.	n.a.	n.a.	36.6	0.0	1.1
Services	n.a.	n.a.	n.a.	32.7	0.0	0.0
Average Hourly Wage						
Mining	12.97	-1.0	8.3	11.59	-0.1	1.8
Construction	15.02	1.5	2.1	12.10	0.5	0.8
Manufacturing	9.70	1.6	0.2	9.30	1.3	3.7
Durables	9.83	1.3	0.3	9.84	1.2	3.3
Nondurables	9.51	1.7	-0.1	8.52	1.3	4.2
Trans., Comm., & Public Utilities	11.61	1.1	3.9	11.28	0.6	2.7
Trade	7.43	0.0	1.2	6.79	0.7	2.9
Fin., Ins., & Real Estate	n.a.	n.a.	n.a.	7.74	1.3	4.3
Services	n.a.	n.a.	n.a.	7.75	2.1	4.0
Estimates of Labor Turnover (Mfg. Only)	Estimates of Labor Turnover have been discontinued as of January 1, 1982.					

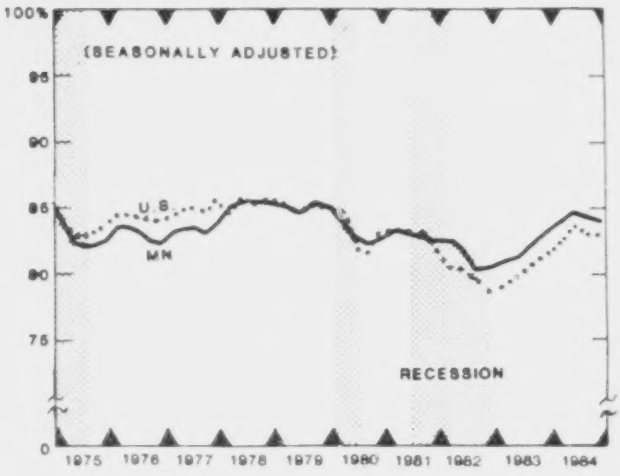
a/ Values are numerical values, not percent changes.

Labor Market Conditions

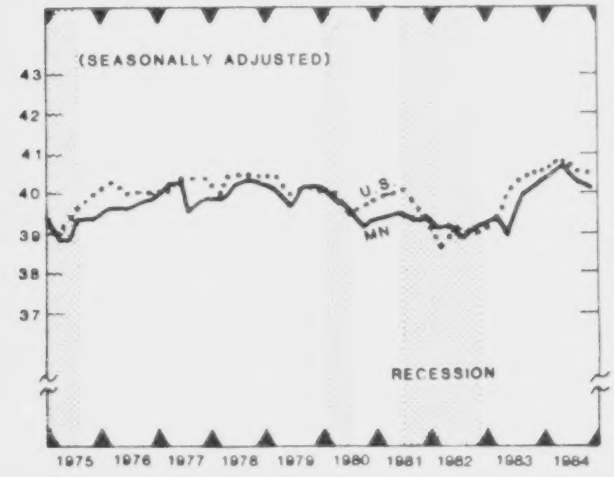
Ratio of Service to Goods Producing Jobs



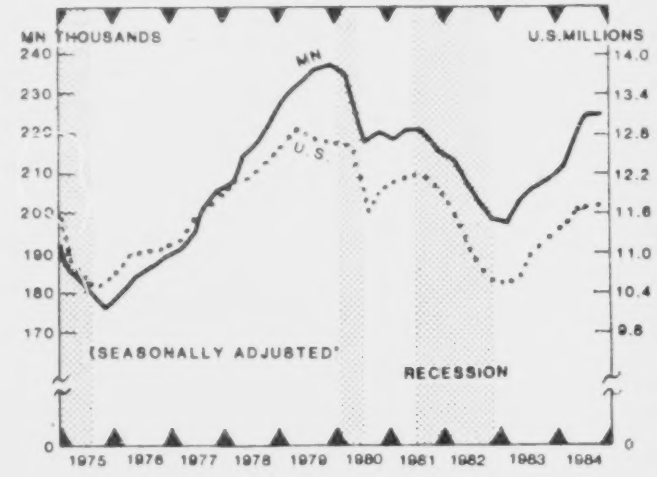
Manpower Utilization Rate



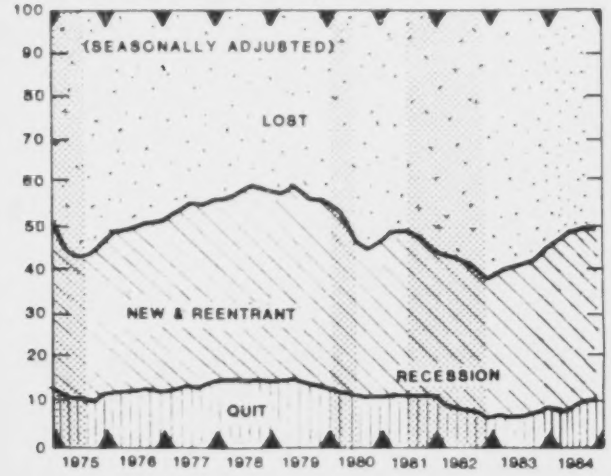
Average Weekly Hours, Manufacturing



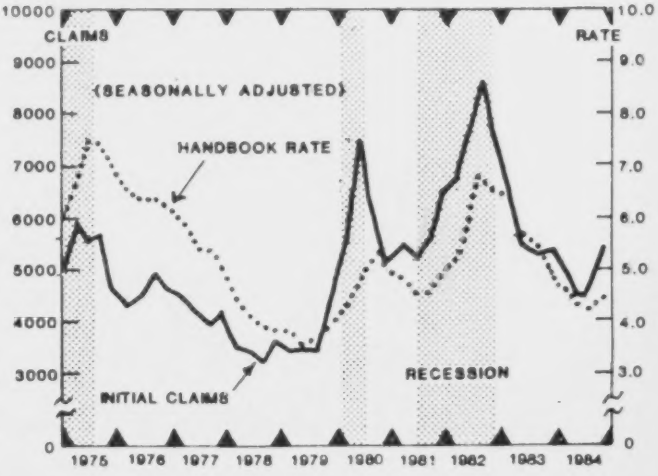
Manufacturing Employment, Durable Goods



U.S. Unemployment: Percent Distribution by Reason



MN Weekly Initial Claims & Handbook Unemployment Rate [1]



Labor Market Conditions

The Table below provides data on persons who file claims for unemployment compensation in Minnesota. Only those claiming benefits from the regular State program are represented, since data on the characteristics of Federal employees and veterans are not available, and data on those receiving benefits from extended programs is reported only when those programs are in effect. If those receiving extended benefits were included they would distort the numerical comparisons over time, but would not substantially change the percentage distributions other than to increase the proportion of long-term unemployed.

Persons Claiming Benefits	Fourth Quarter 1984			January 1985			Percent Long Term
	Number	Percent Change From		Number	Percent Change From		
		Last Qtr.	Year Ago		Month Ago	Year Ago	
By Age & Sex							
Male	24291	69.8	-5.8	51224	32.3	11.1	6.4
Under 45	19102	72.2	-3.5	39663	30.7	9.8	6.3
Under 25	4719	107.2	-3.9	9549	26.0	1.8	5.2
25-34	9440	68.4	-2.6	19571	31.7	9.1	6.5
35-44	4943	54.1	-4.9	10543	33.3	19.8	6.8
45 and Over	5189	61.3	-13.4	11561	38.3	15.8	6.9
45-54	2999	68.2	-13.5	6732	37.4	17.3	6.2
55 and Over	2190	52.7	-13.1	4829	39.5	13.7	8.0
Female	10196	-7.2	-4.7	13998	19.5	2.7	15.9
Under 45	7622	-5.7	-2.8	10338	18.2	4.7	15.6
Under 25	1834	14.7	-10.6	2604	18.3	-4.1	12.6
25-34	3544	-10.3	0.9	4725	17.9	8.0	16.3
35-44	2244	-11.4	-1.4	3009	18.5	8.0	17.3
45 and Over	2574	-11.3	-10.0	3660	23.6	-2.6	16.6
45-54	1465	-12.1	-7.7	2047	22.9	1.0	16.4
55 and Over	1109	-10.2	-12.8	1613	24.4	-6.8	16.8
By Industry	34487	36.3	-5.5	65222	29.4	9.2	8.4
Ag., For., Fish.	852	225.2	1.3	1995	23.6	1.8	2.3
Mining	2577	118.6	-21.2	5465	4.8	53.4	2.3
Construction	6811	245.9	-4.6	19664	45.6	5.7	1.7
Manufacturing	9131	31.3	6.4	16637	38.6	18.4	11.0
Pub. Utilities	1489	31.9	9.3	3088	47.5	32.3	8.5
Wholesale Trade	2245	30.4	-2.4	3430	19.4	6.9	14.9
Retail Trade	3444	8.8	-17.1	4905	19.2	-15.2	15.0
Fin., Ins., Real Est.	1120	15.9	22.7	1199	-1.1	15.5	26.8
Services	5348	-23.5	-11.9	6624	13.6	-9.3	18.0
Public Admin.	886	57.7	-10.1	1246	7.9	-10.3	10.8
Inf. Not Available	584	46.7	-33.5	969	21.7	93.4	1.9
By Occupation	34487	36.3	-5.5	65222	29.4	9.2	8.4
Prof., Tech., Mgr.	4373	-20.6	-7.6	5083	11.3	1.1	22.6
Clerical	3418	-8.0	-14.0	4023	9.2	-5.5	21.7
Sales	1265	7.5	-4.9	1606	10.9	0.3	20.5
Services	2594	6.4	-12.0	3239	9.1	-11.5	17.2
Farm., For., Fish.	797	310.8	2.0	1707	16.4	-1.2	2.9
Processing	1132	9.8	-21.3	3084	97.4	-5.4	6.0
Machine Trade	2140	37.3	9.6	3366	21.6	24.4	14.0
Benchwork	3444	46.9	11.9	5693	28.5	30.5	10.8
Structural Work	8087	170.0	-4.7	21865	44.9	6.8	2.7
Misc.	6934	72.4	-6.2	15111	24.7	23.6	4.6
Inf. Not Available	303	-2.9	-20.1	445	38.2	-2.2	16.3
By Duration	34487	36.3	-5.5	65222	29.4	9.2	---
0-14 Weeks	29837	48.4	-3.0	59743	30.9	11.4	---
15+ Weeks (Long-Term)	4650	-10.3	-19.1	5479	14.4	-10.4	---

Labor Market Conditions

Minnesota Nonagricultural Wage & Salary Employment, Hours, and Earnings

INDUSTRY	EMPLOYMENT[1] (thousands)			PER CENT CHANGE FROM		PRODUCTION WORKERS' HOURS & EARNINGS					
						Average Weekly Earnings		Average Hourly Earnings		Average Weekly Hours	
	Jan. 1985	Dec. 1984	Jan. 1984	Dec. 1984	Jan. 1984	Jan. 1985	Dec. 1984	Jan. 1985	Dec. 1984	Jan. 1985	Dec. 1984
TOTAL NONAGRICULTURAL	1827.6	1870.1	1735.9	-2.3	5.3						
MANUFACTURING	373.0	378.0	354.9	-1.3	5.1	399.78	403.34	9.92	9.91	40.3	40.7
Durable Goods	224.9	228.0	213.5	-1.3	5.3	410.18	418.91	9.98	10.07	41.1	41.6
Furniture, Lumber and Wood	15.6	16.5	14.8	-5.2	5.7	399.50	394.45	10.27	10.14	38.9	38.9
Stone, Clay and Glass	7.6	8.3	7.3	-8.5	4.4	369.66	368.52	10.24	10.18	36.1	36.2
Primary Metals	5.9	6.1	5.8	-4.4	1.8	390.35	389.99	9.25	9.42	42.2	41.4
Fabricated Metals	34.5	35.4	34.0	-2.5	1.6	452.61	467.93	10.88	11.01	41.6	42.5
Nonelectrical Machinery	95.4	94.6	87.0	0.8	9.7	450.45	451.31	10.50	10.52	42.9	42.9
Electrical Machinery	27.0	27.6	26.2	-2.3	3.2	308.07	336.94	7.76	8.08	39.7	41.7
Transportation Equipment	6.1	6.7	6.3	-8.4	-3.5	405.69	479.94	10.51	11.40	38.6	42.1
Other Durable Goods [2]	32.8	32.7	32.2	0.3	1.7	394.94	392.50	9.68	9.62	40.8	40.8
Nondurable Goods	148.0	150.0	141.4	-1.3	4.7	386.32	383.72	9.83	9.69	39.3	39.6
Food and Kindred	44.6	45.9	43.8	-2.9	1.7	344.16	339.36	8.54	8.40	40.3	40.4
Textile and Apparel	4.6	5.0	4.9	-7.5	-5.7	220.40	234.50	6.37	6.27	34.6	37.4
Paper and Allied	34.1	34.4	32.8	-0.6	4.2	490.68	493.73	11.60	11.59	42.3	42.6
Printing and Publishing	41.1	41.0	37.6	0.3	9.3	381.15	375.76	10.50	10.38	36.3	36.2
Chemical and Petroleum	9.7	9.8	9.4	-1.5	3.1	455.63	468.83	11.25	11.27	40.5	41.6
Rubber and Leather	13.9	13.9	12.9	0.1	8.1	318.50	315.59	8.23	8.01	38.7	39.4
NONMANUFACTURING	1454.7	1492.2	1381.0	-2.5	5.3						
Mining and Quarrying	5.4	5.5	7.9	-1.5	-31.1	480.67	460.13	12.55	12.27	38.3	37.5
Metal Mining	4.1	3.8	6.7	6.9	-38.6	508.35	487.80	13.52	13.55	37.6	36.0
Construction	58.8	69.6	50.8	-15.6	15.7	585.14	587.90	15.48	15.39	37.8	38.2
Building	17.2	20.2	15.9	-14.8	8.2	529.05	561.53	14.26	14.18	37.1	39.6
Highway and Heavy	5.0	8.3	4.9	-40.0	1.6	518.64	476.17	13.13	13.01	39.5	36.6
Special Trades	36.6	41.1	29.9	-11.0	22.1	623.96	624.46	16.42	16.52	38.0	37.8
Transportation	61.8	64.1	60.2	-3.7	2.6						
Railroads	9.6	10.0	10.4	-4.0	-7.4						
Trucking and Warehousing	25.6	27.3	24.4	-6.2	5.1	397.31	377.65	11.72	11.62	33.9	32.5
Public Utilities	34.6	34.9	34.5	-0.7	0.5	533.57	531.96	13.24	13.20	40.3	40.3
Communications	20.0	20.2	20.4	-0.6	-1.6	504.70	501.03	12.25	12.25	41.2	40.9
Elec., Gas and Sanitary	14.6	14.7	14.1	-0.7	3.7	567.22	569.70	14.47	14.35	39.2	39.7
Trade	465.1	481.9	432.4	-3.5	7.6	221.86	226.44	7.47	7.40	29.7	30.6
Retail	347.7	363.0	321.9	-4.2	8.0	178.92	186.19	6.53	6.51	27.4	28.6
General Merchandise	52.7	57.3	46.9	-7.9	12.4	168.95	178.77	5.97	5.90	28.3	30.3
Food Stores	46.0	48.0	45.1	-4.3	2.0	194.70	207.79	7.08	7.19	27.5	28.9
Automotive	36.8	37.2	34.9	-0.9	5.5	322.56	340.75	8.96	9.16	36.0	37.2
Eating and Drinking	117.0	120.7	105.2	-3.1	11.3	100.57	103.28	4.53	4.53	22.2	22.8
Wholesale	117.4	118.9	110.5	-1.3	6.2	368.76	372.78	9.86	9.81	37.4	38.0
F.I.R.E.	107.4	107.4	103.6	0.0	3.7						
Finance	50.2	50.2	49.5	0.0	1.4						
Insurance	39.3	39.2	36.7	0.2	7.2						
Real Estate	17.9	18.0	17.4	-0.4	2.9						
Service Industries	424.9	430.5	398.6	-1.3	6.6						
Hotel and Lodging	21.1	21.5	19.1	-2.0	10.1						
Business Services	77.8	79.7	67.5	-2.4	15.3						
Health Services	136.1	136.3	133.4	-0.1	2.0						
Private Education	24.3	25.2	23.8	-3.9	1.7						
Soc. Serv., Museums etc.	91.7	92.5	85.2	-0.9	7.5						
Government	296.6	298.2	293.0	-0.5	1.2						
Federal	30.9	30.9	30.0	-0.1	3.1						
State	75.1	72.4	74.3	3.6	1.0						
Local	190.6	194.8	188.7	-2.1	1.0						

[1] Totals may not add because of rounding.
[2] Includes Scientific Instruments and Miscellaneous Industries.

Labor Market Conditions

Labor Force Data: State, SMSAs, and Counties

Area or County	January, 1985 Prelim. Labor Force[1]	Unemp.	Un. Rate
State of Minnesota	2192917	164579	7.5
Metropolitan Areas			
Duluth/Superior (Duluth City Only)	33457	3055	9.1
Fargo/Moorhead (Clay County, MN Only)	28447	2026	7.1
Minneapolis/St. Paul SMSA[2]	1236494	61639	5.0
Rochester SMSA (Olmsted Co.)	61941	3104	5.0
St. Cloud SMSA[3]	80752	8195	10.1
Counties			
Aitkin	5205	1251	24.0
Anoka	118237	6595	5.6
Becker	11911	2132	17.9
Beltrami	16273	1819	11.2
Benton	12451	1231	9.9
Big Stone	3660	333	9.1
Blue Earth	27366	1693	6.2
Brown	14282	1241	8.7
Carlton	11591	1497	12.9
Carver	22041	1068	4.8
Cass	9806	1403	14.3
Chippewa	7385	1006	13.6
Chisago	15918	1252	7.9
Clay	28447	2026	7.1
Clearwater	4096	1073	26.2
Cook	2161	306	14.2
Cottonwood	7006	592	8.4
Crow Wing	17268	2306	13.4
Dakota	118626	6668	5.6
Dodge	7926	855	10.8
Douglas	13143	1266	9.6
Faribault	10091	892	8.8
Fillmore	11789	1231	10.4
Freeborn	17021	1415	8.3
Goodhue	19960	1507	7.6
Grant	3134	306	9.8
Hennepin	547536	23556	4.3
Houston	9800	780	8.0
Hubbard	5530	856	15.5
Isanti	14108	1000	7.1
Itasca	17172	2965	17.3
Jackson	7575	460	6.1
Kanabec	5486	869	15.8
Kandiyohi	17918	1652	9.2
Kittson	3232	342	10.6
Koochiching	8174	1523	18.6
Lac qui Parle	5551	478	8.6
Lake	4498	655	14.6
Lake of the Woods	1816	188	10.4
Le Sueur	10900	1333	12.2
Lincoln	3826	409	10.7
Lyon	15587	1500	9.6
McLeod	16463	1389	8.4
Mahnomen	2723	363	13.3
Marshall	5875	1066	18.1
Martin	13275	984	7.4
Meeker	9695	1063	11.0
Mille Lacs	9143	1090	11.9
Morrison	12663	1829	14.4
Mower	17479	1340	7.7
Murray	5683	692	12.2
Nicollet	14401	878	6.1
Nobles	11299	852	7.5
Norman	4335	389	9.0
Olmsted	61941	3104	5.0
Otter Tail	23503	3172	13.5
Pennington	6063	750	12.4
Pine	9470	1432	15.1
Pipestone	5426	352	6.5
Polk	16648	1523	9.1
Pope	5055	491	9.7
Ramsey	268187	13126	4.9
Red Lake	2210	471	21.3
Redwood	9755	684	7.0
Renville	10855	1214	11.2
Rice	22841	2011	8.8
Rock	5358	259	4.8
Roseau	6049	971	16.1
St. Louis (Inc. Duluth)	89810	15950	17.8
Scott	26920	1889	7.0
Sherburne	15295	1626	10.6
Sibley	7819	756	9.7
Stearns	53006	5338	10.1
Steele	16125	1210	7.5
Stevens	5539	417	7.5
Swift	6099	740	12.1
Todd	10787	1171	10.9
Traverse	2566	231	9.0
Wabasha	9247	1026	11.1
Wadena	5266	598	11.4
Waseca	8532	611	7.2
Washington	68722	3509	5.1
Watonwan	6324	465	7.4
Wilkin	3986	333	8.4
Winona	21731	1978	9.1
Wright	36199	2976	8.2
Yellow Medicine	7046	730	10.4

Technical Notes:

1/ Labor force data is computed according to BLS methodology. The method includes an adjustment to assure that the sum of the substate areas equals the separately estimated State total. This adjustment is Applied to all county and SMSA areas. County and area unemployment was multiplied by an adjustment factor of 1.44 ; employment was multiplied by 1.01. For a more detailed explanation see the Review of Labor and Economic Conditions, Vol. 4, No. 4, (February 1978 issue), p. 29.

2/ Anoka, Carver, Chisago, Dakota, Hennepin, Ramsey, Scott, Washington, and Wright Counties.

3/ Benton, Sherburne, and Stearns Counties.

Income & Purchasing Power

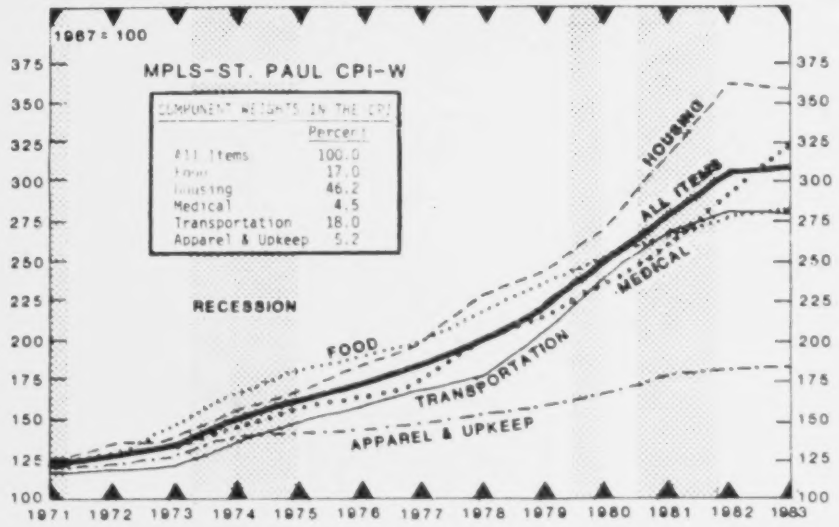
This section describes how Minnesotans fare with respect to their ability to acquire goods and services needed to meet their needs and wants and how they compare with others in the United States in this respect. Real Per Capita Personal Income measures money income received by all individuals from wages and salaries, dividends, rent, professional and farm income, personal interest payments, and transfer payments, less personal contributions for social security, all adjusted for the price level as indicated by the CPI and for population. The Consumer Price Index (CPI) measures changes in the price of a representative combination of goods and services consumed by urban wage and salary workers relative to 1967. The inverse of the CPI (1/CPI) indicates the value of the dollar; when the CPI increases the value of the dollar falls. The change in the CPI over any period of time divided by the value at the beginning of the period gives the percentage change, or the rate of inflation.

Income And Purchasing Power	MINNESOTA			UNITED STATES		
	IV QTR. 1984	Percent Change from		IV QTR. 1984	Percent Change from	
		Last Qtr.	Year Ago		Last Qtr.	Year Ago
INCOME STATISTICS						
Personal Income 1/*						
Total Personal Income (in Billions)	57.0 a/	2.4	10.9	3100.4	1.7	9.3
Due to Labor 2/	n.a.	n.a.	n.a.	2048.7	58.6	57.3
Due to Property 3/	n.a.	n.a.	n.a.	764.5	37.9	42.1
Due to Transfer Payments 4/	n.a.	n.a.	n.a.	422.3	7.0	5.1
Total Disposable Personal Income	n.a.	n.a.	n.a.	2649.4	1.6	9.1
As Percent of Total Pers. Inc.	n.a.	n.a.	n.a.	85.5	0.0	-0.1
Per Capita Personal Income 5/						
Current dollar Value	13562	2.2	10.1	13053	1.5	8.3
Real (1967) Dollar Value	4168	4.0	5.8	4182	0.8	4.6
Real Median Family Money Income 5/*						
All Families	9511	3.7	4.7	9250	0.7	4.0
Four Person Families	9755	3.5	3.8	10798	0.7	4.1
Earnings of Production Workers in Mfg. 6/						
Average Weekly Earnings	392.79	2.9	0.2	379.91	2.2	3.5
Real Average Weekly Earnings 7/	120.71	4.6	-3.8	121.73	1.5	0.0
Income Related Criteria 8/						
Standard Budgets						
Low						
Moderate						
High						
Poverty Level Income						
Urban Family of Four	10200	---	3.0	10200	---	3.0
Nonurban Family of Four						
MEASURES OF PRICE CHANGE AND INFLATION						
Consumer Price Level (CPI) 9/	325.4	-1.7	4.1	312.1	0.7	3.6
Food	312.2	0.9	4.4	304.1	0.1	3.7
Housing	377.2	-4.6	5.0	335.0	0.5	3.2
Transportation	297.0	0.6	2.4	318.0	0.8	3.3
Medical	367.1	1.6	7.7	385.3	1.4	6.2
Purchasing Power of the Dollar (1/CPI)	.31	1.7	-3.9	.32	-0.7	-3.4
Wholesale Price Index	n.a.	n.a.	n.a.	309.9	-0.3	1.3
Industrial Commodities	n.a.	n.a.	n.a.	323.3	0.0	1.5

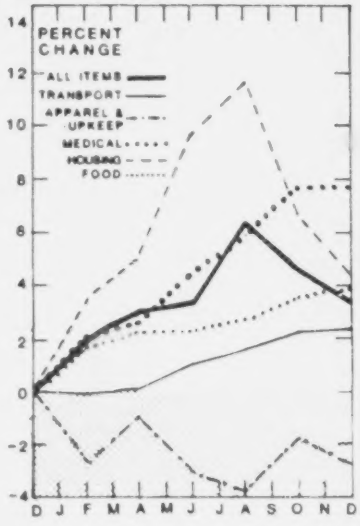
a) Personal income for Minnesota in the fourth quarter was assumed to move in tandem with that of the United States except for wage and salary disbursements and farm income. The increase in Minnesota wage and salary disbursements was assumed to reflect the difference in growth between United States and Minnesota payroll employment, whereas Minnesota farm income was assumed to reflect national and State differentials in fourth quarter farm income behavior in past years.

Income & Purchasing Power

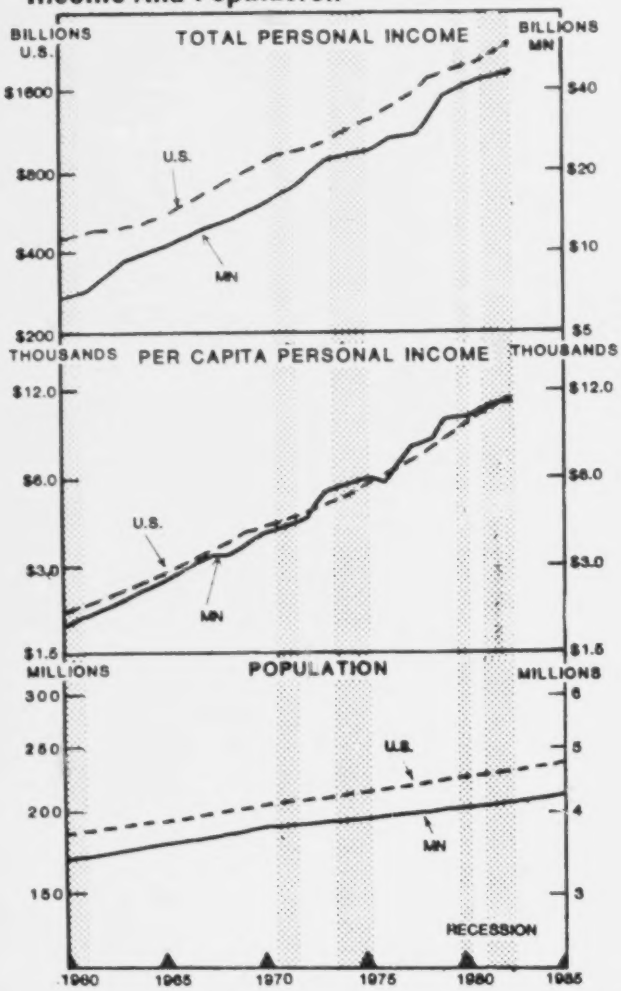
Consumer Price Index- Major Components



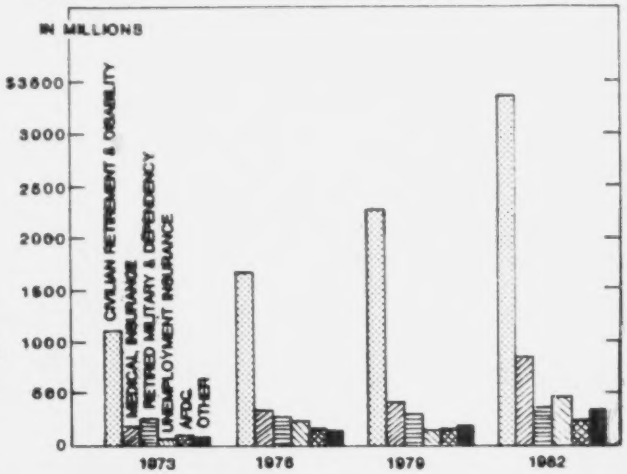
% △ From Dec. 1983



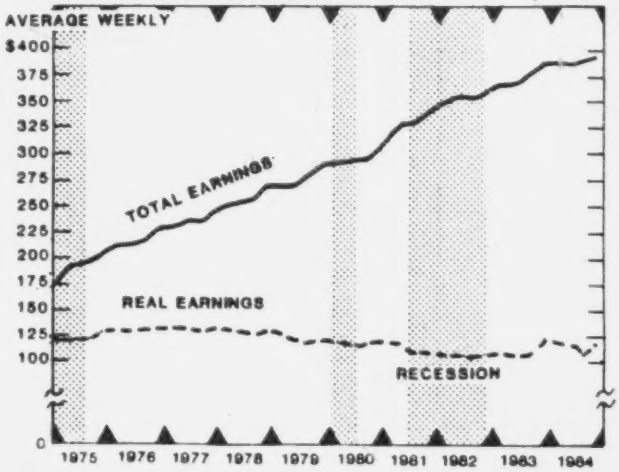
U.S. & MN Personal Income And Population



Government Transfer Payments To Individuals In Minnesota *(Selected Years)*



Minnesota Earnings, Mfg.



Output, Expenditures, Money, & Credit Conditions

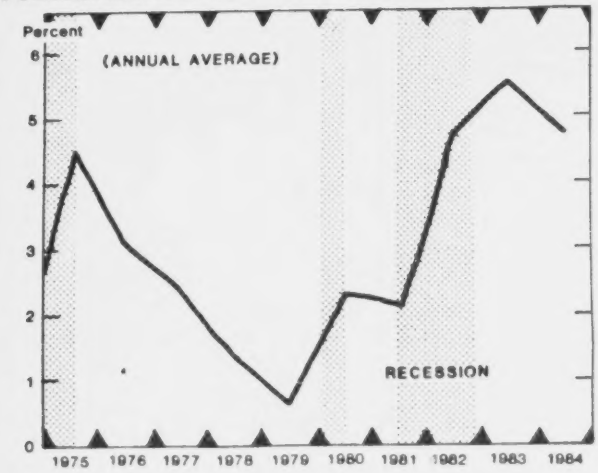
The overall level and composition of National Output shape labor market conditions, and nominal and real earnings. (Nominal values are not adjusted for inflation; real values are adjusted for inflation.) Personal Consumption Expenditures, especially on Durable Goods, together with data on Retail Sales, are frequently used as indicators of future levels of employment. The number of Building Permits influences the level of employment in construction and related industries. The Federal Budget Deficit is a key indicator of the stimulatory effect of government policy. Whether this effect results in inflation, improved employment conditions, or some combination of the two, depends in part, upon the degree to which present productive capacity is utilized. Present and anticipated Money and Credit Conditions determine the ability of consumers, business, and State and Local governments to borrow in order to finance purchases, which, in turn, generate income and employment. Unfortunately, most data of this kind is available only for the Nation. However, in an economy as interdependent as ours, analysis of the directions of change of key national indicators is a useful tool for understanding the course of the State economy.

Output, Expenditure, Money, And Credit Conditions	MINNESOTA			UNITED STATES		
	IV QTR. 1984	Percent Change from		IV QTR. 1984	Percent Change from	
		Last Qtr.	Year Ago		Last Qtr.	Year Ago
OUTPUT AND EXPENDITURE						
Retail Sales (in millions of dollars)	2165	5.5	14.4	110149	2.5	8.3
Private Housing Units Authorized by Building Permits 1/	25412	0.2	21.7	1532	1.9	-6.2
Index of Industrial Production 2/	n.a.	n.a.	n.a.	165.3	-0.2	6.3
Gross National Product (in billions of 1972 dollars) 3/	n.a.	n.a.	n.a.	1661.1	1.0	5.6
Personal Consumption Expenditures	n.a.	n.a.	n.a.	1076.2	1.0	4.2
Durable Goods	n.a.	n.a.	n.a.	182.1	2.9	8.9
As Percent of Pers. Cons.	n.a.	n.a.	n.a.	16.9	1.8	4.3
Nondurable Goods	n.a.	n.a.	n.a.	397.5	0.5	3.7
Services	n.a.	n.a.	n.a.	496.6	0.6	3.0
Gross Private Domestic Investment	n.a.	n.a.	n.a.	289.1	-3.7	15.9
As Percent of GNP	n.a.	n.a.	n.a.	17.4	-4.4	9.4
Nonresidential, Fixed	n.a.	n.a.	n.a.	215.1	2.7	16.6
Residential	n.a.	n.a.	n.a.	59.8	-0.5	3.5
Net Exports	n.a.	n.a.	n.a.	-15.2	#	#
Government Purchases	n.a.	n.a.	n.a.	311.0	1.6	7.7
Federal	n.a.	n.a.	n.a.	129.1	3.3	14.2
State and Local	n.a.	n.a.	n.a.	181.9	0.4	3.5
GNP Gap (Full Empl. Minus Present GNP)						
1972 Dollars (in billions)						
Current Dollars (in billions)						
Current Federal Budget Deficit 4/						
As Percent of GNP	n.a.	n.a.	n.a.	-5.3	-4.9	-5.3
Inventory to Sales: Durable Goods in Mfg.	n.a.	n.a.	n.a.	1.88	0.0	1.6
New Orders to Shipments: Durable Goods	n.a.	n.a.	n.a.	0.99	-2.3	-5.5
Plant Capacity Utilization Rate in Mfg. 5/	n.a.	n.a.	n.a.	81.9	-0.7	3.8
MONEY AND CREDIT CONDITIONS						
Interest Rates						
Discount Rate	8.73	-3.0	2.7	8.73	-3.0	2.7
Prime Rate	n.a.	n.a.	n.a.	11.80	-9.2	7.3
Rate on Conventional Mortgages	12.70	4.9	8.0	12.85	1.3	2.6
Federal Funds Rate	n.a.	n.a.	n.a.	9.27	-18.6	-1.7
Consumer Installment Credit Outstanding	n.a.	n.a.	n.a.	465283	4.9	20.3
As Percent of Disposable Personal Income	n.a.	n.a.	n.a.	17.6	3.2	10.3

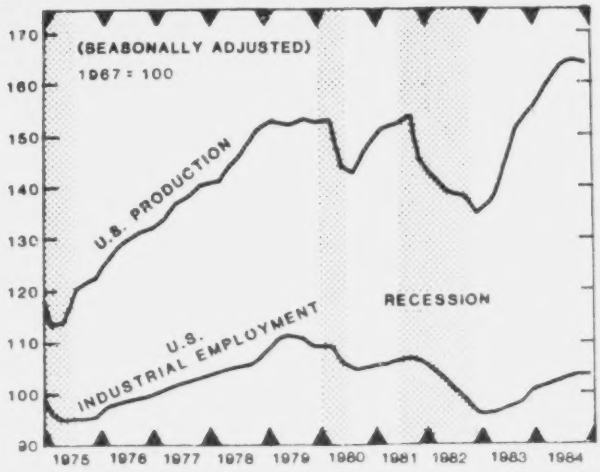
Percentage change not applicable.

Output, Expenditures, Money, & Credit Conditions

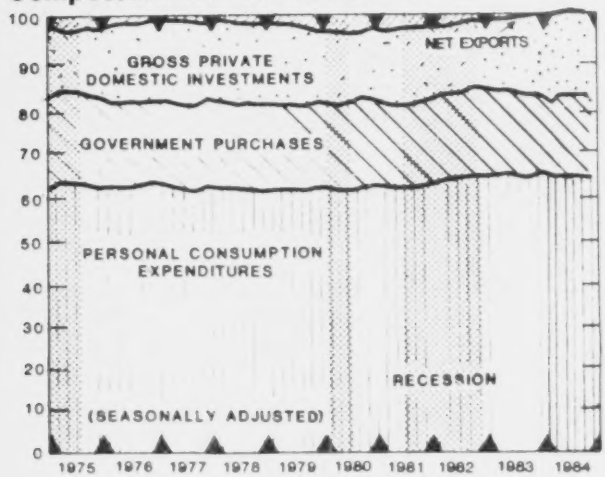
Federal Deficit as % of GNP (Current Dollars)



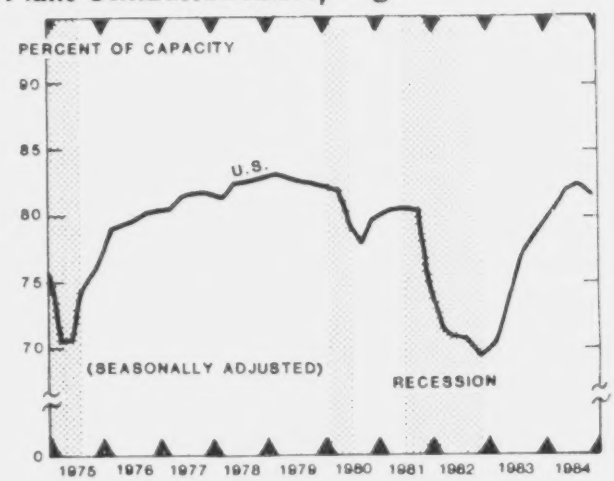
Index of Industrial Production & Emp.



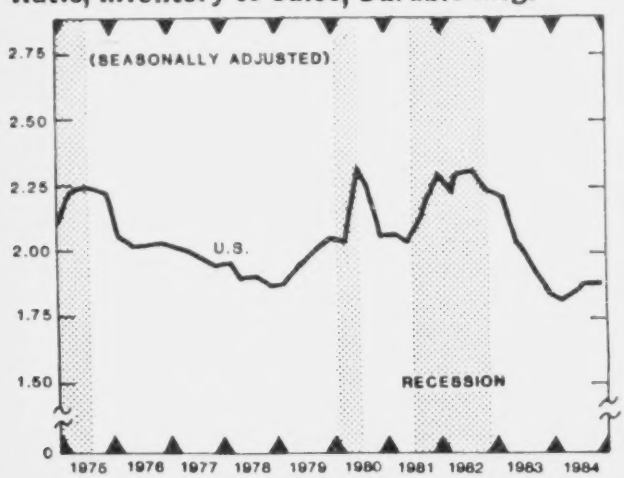
Composition of GNP in Percent



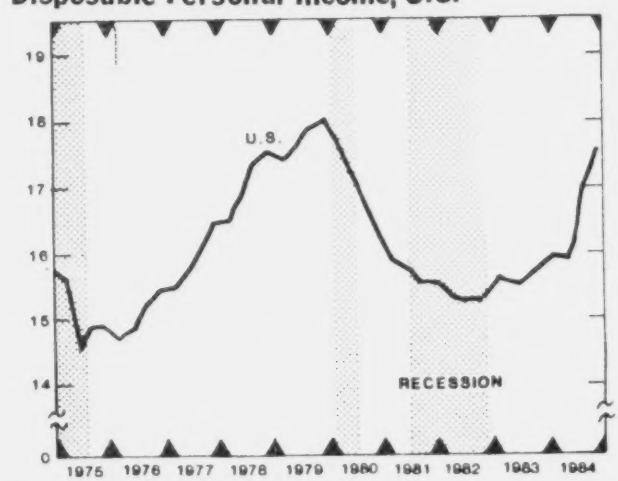
Plant Utilization Rates, Mfg.



Ratio, Inventory to Sales, Durable Mfg.



Ratio, Consumer Installment Debt to Disposable Personal Income, U.S.



Technical Notes

For the reader's convenience the notes which follow are organized in sequence for the pages which appear in the statistical section. Each note corresponds to the footnote or reference notation for the given page.

* Wherever an asterik appears the data is seasonally adjusted.

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1/ Four percent is a generally agreed upon criteria for measuring full employment. It allows for the movement of persons between jobs. Labor Force Unemployment Rate less four percent, based on official estimates.
2/ Estimated worker hours expended in nonfarm payroll employment as a percent of potential worker hours assuming that each member of the nonfarm labor payroll labor force was employed at a standard rate of 40 hours per week.

Page S-3

1/ The handbook unemployment rate is the estimate of unemployment prior to the Current Population Survey (CPS) adjustment.

Page S-7

1/ In billions of dollars at an annual rate.
2/ The contribution to total Personal Income of wages, salaries, and other labor income. Percent change entry in Labor Income Impact is the percent that the change in labor income comprises of the change in total Personal Income. This is not available for Minnesota on a quarterly basis.
3/ The figure for the quarter is the contribution to total Personal Income of proprietor's rental, dividend, and interest income. The percent change entry in Property Income Impact is analogous to the Labor Income Impact described in 2/ above.
4/ The contribution to total Personal Income of transfer payments (unemployment compensation, AFDC, etc.) The percent change entry is analogous to the Labor Income Impact in 2/ above.
5/ In dollars at an annual rate.
6/ In dollars per week.
7/ Real average weekly earnings are the average weekly earnings of production workers in manufacturing divided by the CPI.
8/ Annual data.
9/ Value is CPI-W (Urban Wage earners and clerical workers).

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1/ U.S. data annualized in thousands. Source: Bureau of the Census.
2/ Base Year is 1967. Source: Federal Reserve Board.
3/ Totals may not add due to rounding.
4/ Values shown in percent change columns are deficit as percent of GNP for period cited.
5/ Source: Federal Reserve Board.

EDITORIAL COMMENT (continued from page 1)

support prices and the parity price. There have also been times when the prices received by farmers were above the parity price and there was no need for a support price.

Since 1933, support prices for selected farm commodities have generally been below 90 percent of the parity price. At the same time, however, support prices have often exceeded market prices by a substantial amount, thus inducing further production even if acreage restrictions were tied to eligibility for support price protection.2/ Moreover, with the relative price inelasticity of farm commodities, any surplus significantly depresses commodity prices, causing the difference between the support and market price to widen. In the intervening years since the concepts of parity and support prices were adopted, it is problematical whether the terms of trade between the farm and nonfarm sector have appreciably improved. When the Agricultural Adjustment Act was being debated in 1933 it was observed that rural poverty was more pervasive than urban poverty. Studies over the past 15 years suggest that not only does the rural income disparity with the urban community still pervail, but that rural poverty remains more pervasive. Many would also argue that the chief beneficiaries of the support price system have been those whose income parity was never really in jeopardy while those in jeopardy remain largely untouched. In the end whether the price support system can equalize the terms of trade between the farm and nonfarm sector is an unanswered question. As for saving the family farm, it seems doubtful.

2/ Ironically despite currently depressed market conditions and surpluses, farmers both nationally and in Minnesota plan to increase acreages for wheat and corn in the 1985 production year.

Available Publications

Review of Labor and Economic Conditions and its Monthly Supplement (Recent Issues)

Labor Market Information Summary for 1985 for Minneapolis-St. Paul SMSA (May 1984), St. Cloud SMSA (June 1984), Duluth SMSA (Sept. 1984), and Minnesota April 1984)

Minnesota Nonagricultural Wage & Salary Employment, Hours, and Earnings, January 1950 - December 1983 (April 1984)

Employment, Hours, and Earnings, January 1970 - February 1984, Minneapolis - St. Paul Area (April 1984)

1982 Occupational Employment Statistics in Minnesota (April 1984)

1984 Minnesota Salary Survey by Area (September 1984)

1984 Minnesota Hospitals and Nursing Homes Salary Survey (September 1984)

1984 Minnesota Wage Data by Industry and Size of Firm (September 1984)

Minnesota Labor Market Information Directory (June 1984)

Minnesota Employment and Wage Data by County (Fourth Quarter 1983) Limited number available for 1975-1983

Average Covered Employment & Wages by Economic Region for the Calendar Year 1982 by Two Digits of Industry (also available for 1976-81)

Unemployment Compensation Program Statistics: Total Wages, Taxable Wages, Contributions Due, and Benefits Paid, 1950 - 1978

Cyclical Sensitivity in Minnesota (August 1981)

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